MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BFN3084 – INTERNATIONAL FINANCE

(All sections / Groups)

11 JULY 2023
9:00am to 11:00am
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 3 pages (including cover page) with 3 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the answer template provided.

QUESTION 1 (40 MARKS)

(a) Neilee Amstrong specializes in cross-rate arbitrage. The following spot rates are:

CAD1.3400/$ NZD1.6500/$ NZD1.2500/CAD

(i) Ignoring transaction costs, does Neilee Amstrong has an arbitrage opportunity based on these quotes? **(5 marks)**

(ii) What steps would he take to make an arbitrage profit, and how would he profit if he has $1,700,000 available for this purpose? **(12 marks)**

(b) Natalie from America has cash of $5,000,500 to invest for six months. The six-month interest rate is 9 percent per annum in the United States and 12 percent per annum in Denmark. The six-month forward exchange rate is €0.99 per dollar. She observed the spot exchange rate is €1.35 per dollar. Compute the gain/loss form this transaction and where should Natalie invest to maximize the return? **(15 marks)**

(c) How trade barriers and shareholders diversification influence foreign direct investment? **(8 marks)**

QUESTION 2 (35 MARKS)

Ballerinaa Company from Manhattan, United States of America has bought an agriculture land in Wales, United Kingdom in 2019. He plans to sell the land in 2025. Their advisor informed them that in 2025, the land will be worth £4,800 if the agriculture land in a bear market and one British pound will be worth $1.15. However, the land will be worth higher at £6,800 if the agriculture land is in bull market and the pound will be at $1.55/£. The probability for the United Kingdom's land in high demand is 55 percent probability and the low demand with a 45 percent probability respectively.

(a) What is Ballerinaa Company's exposure to the exchange rate risk? **(15 marks)**

(b) Discuss **FOUR (4)** disadvantages of countertrade. **(20 marks)**

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QUESTION 3 (25 MARKS)

An established company in Melaka, Malaysia has translated its financial accounts into U.S. dollars. The historical exchange rate is MYR3.3333/$1.00 and the spot rate is MYR4.00/$1.00. Fill out the missing entries that translate the balance sheet below. Please write the answer in your answer booklet. Round up the figure and ignore the decimal point.

Balance Sheet	Local Currency (MYR)	Current Rate ($)	Current / Noncurrent ($)	Monetary / Nonmonetary ($)
Cash	3,500			
Inventory (Current Value = $2000)	2,000			
Net Fixed Assets	4,500			
Total Assets	10,000			
Current Liabilities	1,500			
Long-Term Debt	2,500			
Common Stock	5,000			
Retained Earnings	1,000			
Cumulative Transfer Adjustment (CTA)				
Total Liability & Equity	10,000			

(25 marks)

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